



Hate Taxes? Make This 1 Move Today

Description

Want to pay *more* taxes in 2020? Probably not. Unfortunately, you're likely giving up the opportunity to shield your money from the government. It's not complicated to pay less in taxes, yet for some reason, millions of Canadians forgo the opportunity to do so every year.

Here's the trick: use a TFSA for everything. If you don't have a TFSA, it's critical that you continue reading. Even if you have a TFSA, odds are that you're not taking [full advantage](#). There are ways to get even more tax savings from your TFSA that the majority of investors ignore.

Want to pay less in taxes? Follow this simple playbook.

How to maximize your TFSA

Opening a TFSA to minimize your taxes is your first step. Maximizing the way you use your TFSA is your next challenge.

In case you're not familiar, here's a quick TFSA primer. TFSAs are like any other investment account, which allows you to invest in anything you'd like. The benefit is that your money grows tax free. Withdrawals are also tax free.

The catch is that you must contribute to a TFSA using *post-tax* dollars. That means you've already paid taxes on the money. For example, you earn wages from your job, you pay income taxes on the earnings, and then you can contribute whatever money is left over. This is similar to basically any other investment account, barring vehicles that use *pre-tax* money, like RRSPs.

A great benefits of a TFSA is that it can be used for any purpose, and withdrawals can be made at any time for any reason. Even better, any withdrawals open up new contribution space for the following year. This is perhaps the least-used benefit of a TFSA.

The TFSA contribution maximum for 2020 is \$6,000. All of your investment dollars should go into a TFSA *before* any non-retirement account. If you still have unused TFSA contribution space, yet invest

in another traditional investment account, you're simply volunteering money to the tax man.

Even if you can't afford to contribute \$6,000 this year, consider putting some of your bank account savings into a TFSA. The tax benefits will be minimal versus a stock account, but hey, every dollar saved is a dollar earned. You can always withdraw this money when needed, or replace it with more stock investments in the future.

Even if you hit your maximum this year and opt to withdraw some money for a near-term expense, this opens up new contribution room for the following year. Additionally, all unused contribution room *rolls over* year to year. Not understanding how this works is a huge mistake.

Bottom line: use your TFSA for everything.

Maxing out your TFSA with money dedicated to long-term savings is still your best route. This money will grow tax free, and you'll pay zero taxes upon withdrawal, no matter how large the sum has become.

But even if you don't max out your contribution room this year, make sure you don't have dollars invested elsewhere, whether it be in a bank account or a traditional brokerage account.

If you hate taxes, don't volunteer your money to the government by not taking full advantage of a TFSA's protections. As mentioned, you can withdraw this money at any time for any reason, and any withdrawals add new contribution room to the following year, so there's no reason not to take advantage.

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